



**DATE:** January 27, 2025

**TO:** Mayor and City Council

**FROM:** Director of Maintenance Services

**SUBJECT:** Adopt Resolutions to 1) Initiate Proceedings Pursuant to Government Code Section 53753, 2) Provide Intention to Levy Assessments for FY 2026, 3) Preliminarily Approve FY 2026 Engineer's Report, 4) Provide a Notice of Proposition 218 Public Hearing for Stratford Village Flood Control Facilities Improvement Assessment (MD1 - 2026), 5) Approve the Mailing of Ballots, and 6) Adopt Proposition 218 Assessment Ballot Procedures

## **RECOMMENDATION**

That the City Council adopts two resolutions (Attachment II and III):

1. Initiating proceedings pursuant to Government Code Section 53753,
2. Providing intention to levy assessments for FY 2026,
3. Preliminarily approving the FY 2026 Engineer's Report,
4. Providing a notice of Proposition 218 Public Hearing,
5. Approving the mailing of ballots, and
6. Adopting procedures for Proposition 218 Assessment Ballot Proceedings for the Stratford Village Flood Control Facilities Assessment District.

## **SUMMARY**

Maintenance District #1 (District) was established in 1995 as a financial funding mechanism to fund the operation, maintenance, and the capital repair and replacement of the Stratford Village Storm Water Lift Station, the critical flood protection infrastructure for the neighborhood. Thirty years later, the funds generated from the annual assessment revenue are no longer sufficient to provide proper operation, maintenance, and the capital repair and replacement of the District's storm water drainage and pumping infrastructure.

To meet this need, staff is recommending a Proposition 218 assessment balloting procedure to propose a new assessment that includes:

- 1.) A cost-of-living adjustment mechanism in order to ensure that the flood control infrastructure is properly funded over time for operations and maintenance.
- 2.) An annual augmentation of approximately \$7,544 (2025-26 dollars) to the annual operating budget.

- 3.) A capital investment of \$379,049, to be financed over 40 years to fund the Pump and Equipment Replacement Fund/2030 Pump replacement.

Tonight, staff is recommending that the Council take formal action to initiate the Proposition 218 election process by preliminarily approving the Engineer's Report, providing a Notice of Public Hearing in compliance with Proposition 218, approving the mailing of ballots, and adopting Proposition 218 Assessment Ballot Proceeding Procedures.

## **FISCAL IMPACT**

This action has no impact on the City's General Fund.

The District funds the operations and maintenance of the Stratford Village Storm Water Lift Station (SWLS) through its assessments. Currently, there are insufficient funds to properly maintain or replace the SWLS, increasing the risk of neighborhood flooding. The ballot procedure proposed in this report would increase the assessment to create a sustainable operating budget and establish a fund balance to ensure positive cash flow.

## **BACKGROUND**

The Stratford Village neighborhood is located within a large drainage basin, with the Ward Creek<sup>1</sup> drainage facilities running along the western edge of the neighborhood. In 1992, as part of the Stratford Village neighborhood pre-development analysis, it was determined that the neighborhood was located below the 100-year flood zone. Due to the increased risk of flooding, the conditions of development approval required extensive grading to raise the elevation of the property to receive approvals from the City.

Development of the neighborhood was eventually made possible with the construction of a dedicated SWLS, built in 1995, designed solely to service this specific development. The SWLS was constructed at the end of Pacheco Way to pump storm water runoff for the developed area adjacent to Alameda County Flood Control and Water Conservation District's (ACFCWCD) Line B, Zone No. 3A, Ward Creek. The SWLS was designed with capacity to only process the stormwater run-off generated by the 174-lot development, a portion of Ruus Lane, Stratford Road, and the Stratford Village Park. No added capacity was constructed for run-off from other areas outside those mentioned above.

The ACFCWCD<sup>2</sup>, through an agreement with the City, provides a range of construction, repair, maintenance, operations, and upgrades to the district's storm drainage and pump station improvements. These improvements protect the usefulness, utility, desirability, and livability of all properties within its jurisdictional area by preventing flooding.

The District was formed as a financial mechanism for the property owners to fund the station's operation, maintenance, and capital replacement in perpetuity. This station is the

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<sup>1</sup> [URL](#) – Ward Creek – Old Alameda Creek Watershed

<sup>2</sup> [URL](#) – ACFCWCD Site

only privately built SWLS in the City, initially funded by the developer, and able to be operated and maintained solely with assessment revenue collected by the benefited property owners.

Presently, \$42,456 in assessment revenue is collected annually, with each of the 174 property owners contributing \$243.92 per year. The annual maximum charge rate (Assessment) was established and set when the District was established in 1995 and cannot be legally increased without official property owner approval completed through a formal assessment balloting procedure. Thirty years later, the funds generated from the annual Assessment are no longer sufficient to properly operate and maintain the Stratford Village SWLS and to provide for repair and replacement of its critical infrastructure assets.

## **DISCUSSION**

Properties in the Stratford Village neighborhood are currently at an increased risk for flooding if the SWLS is not operating properly. The proposed Assessment will fund an increase in maintenance, operations, and improvement activities to reduce the likelihood of SWLS failure and reduce the threat of flooding, thereby significantly reducing the risk of property damage potential and loss of life associated with floods. Proper flood control operation, maintenance, and capital repair helps to protect, and specifically benefits, all properties in the District.

Each year the City evaluates the need to increase assessments to ensure there are adequate funds to continue to provide proper operation, maintenance, and capital replacement of the storm water pumping facilities. As part of this effort, the County of Alameda updated their capital replacement study to determine whether the MD1 is adequately funded. Currently there are not sufficient funds to replace the MD1 capital facilities when they reach the end of their useful life.

Based on input from the Stratford Village neighborhood, staff recommends establishing a new assessment that incorporates several critical improvements to the existing assessment including:

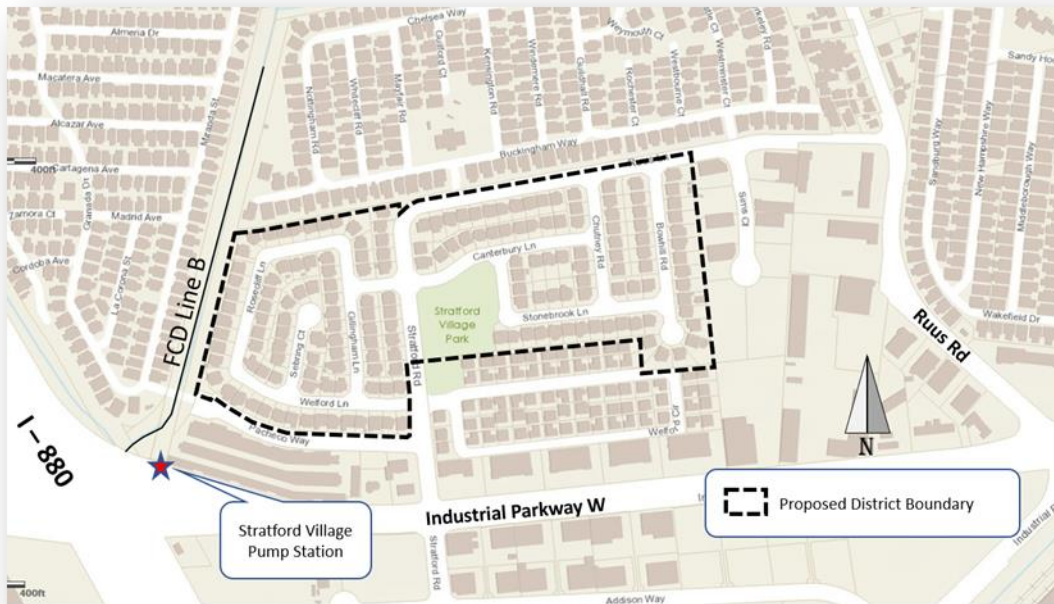
- 1.) A cost-of-living adjustment mechanism to ensure that the flood control infrastructure is properly funded over time for operations and maintenance.
- 2.) An annual augmentation of approximately \$7,544 (2025-26 dollars) to the annual operating budget.
- 3.) A capital investment of \$379,049, to be financed over 40 years to fund the Pump and Equipment Replacement Fund/2030 Pump replacement.

The attached Engineer's Report (Attachment IV) serves as the basis for this proposed new assessment (MD1-2026) to fund a specific portion of these critically needed storm water pumping facilities improvements. This assessment, if approved by property owners, will be in addition to the existing MD1 assessment, adding a new assessment designated as MD1-2026.

The area that will benefit from the proposed flood includes 29.1 acres, of which 24.7 acres are residential, 1.9 acres are for a park site, and 2.5 acres are for the collector streets associated with Stratford Road and Ruus Lane. Pacheco Way does not drain into this

drainage basin system nor does the industrial property to the south. The area is characterized by relatively flat terrain, low elevation and drains into the ACFCD's Line B, Zone No. 3A. The area is served by a pump station to manage storm runoff and avoid any surface flooding.

The boundary of the District is shown below



### **Legal Analysis of Proposition 218 to Fund Flood Control**

The proposed assessment complies with Proposition 218, The Right to Vote on Taxes Act, which was approved by the voters of California on November 6, 1996 and is now Article XIIC and XIID of the California Constitution. Proposition 218 provides for benefit assessments to be levied to fund the cost of providing services and improvements, as well as maintenance and operation expenses of a public improvement which provide a special benefit to the assessed property.

Proposition 218 imposes several important requirements, including property-owner balloting, for the formation and continuation of assessments, and these requirements are satisfied by the process being used to establish this proposed assessment.

Funding for flood control is a well-supported and appropriate use of a benefit assessment. In fact, when Proposition 218 was initially approved in 1996, it allowed for certain types of assessments, including flood control, to be “grandfathered” in, and these were exempted from the property-owner balloting requirement. Proposition 218 is manifested as Article XIID of the State Constitution, and states in part in Section 5:

*“Beginning July 1, 1997, all existing, new, or increased assessments shall comply with this article. Notwithstanding the foregoing, the following assessments existing on the effective date of this article shall be exempt from the procedures and approval process set forth in Section 4:*

*“(a) Any assessment imposed exclusively to finance the capital costs or maintenance and operation expenses for sidewalks, streets, sewers, water, flood control, drainage systems (emphasis added) or vector control. Subsequent increases in such assessments shall be subject to the procedures and approval process set forth in Section 4.”*

Specific mention of “flood control and drainage systems” underscores the fact that the drafters of Proposition 218 were satisfied that funding for such activities is an appropriate use of benefit assessments, and therefore confers a direct and special benefit to property.

### **Proposition 218 Process<sup>3</sup>**

*Principal requirements.* Section 4 of Article XIII D and the Proposition 218 Omnibus Implementation Act (Gov. Code § 53750 et seq.) sets forth Proposition 218’s procedural requirements. The principal requirements are:

1. An agency must provide 45 days’ written notice of a public hearing, and mail ballots to the owners of the parcels to be assessed;
2. The notice must include specified information, including information regarding the special assessments, the public hearing, and owners’ right to cast votes weighted by each owner’s special assessment amount;
3. An agency must hold a noticed public hearing for the purpose of allowing public testimony regarding the proposed assessments. At the public hearing, the agency will tally the results of the majority protest vote; and
4. If it is determined that the assessment ballots submitted in opposition to the proposed assessments do not exceed the assessment ballots submitted in favor of the assessments (weighted by the proportional financial obligation of the property for which ballots are submitted), the City Council may take action to approve the imposition of assessments for fiscal year 2026.
5. If a majority of the weighted votes does not oppose the special assessments, the agency may vote to levy the special assessment.

### **Funding Options**

The financial plan also includes the establishment of a fund balance equal to at least half of the annual operating costs to ensure positive cash flow to account for assessment revenues

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<sup>3</sup> [URL](#) – League of California Cities Review of Proposition 218 and 26

that lag approximately six months. The plan includes a reasonable fund balance to allow for occasional major maintenance expenses in future years to ensure the pump station retains its capacity and reliability. The estimated unfunded cost of providing the services in FY26 is \$17,020.23.

The current assessment rate is \$243.92 per parcel in the District. The proposed cost increase is \$97.82 for a total annual assessment of \$341.74. This rate would be subject to annual CPI increases, if appropriate, by an amount equal to the annual change in the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index – All Urban Consumers (CPI) for the Northern California Consumer Price Index, SAN FRANCISCO-OAKLAND-HAWYARD, not to exceed 3% per year. The February-to-February CPI will be used to calculate the CPI. The CPI adjustment will be applied to the sum of the existing 1995 assessment and the proposed new assessment.

## **PUBLIC CONTACT**

Previously, through a series of mailers, virtual community meetings, a dedicated webpage, flyers delivered to each of the 174 properties in the neighborhood, use of electronic message boards parked in the neighborhood, and Council meetings, staff has sought to inform and receive input from Stratford Village property owners and Council regarding the best path forward to protect Stratford Village from flooding.

On December 9, 2025, staff held an in-person event with representatives from ACFCWCD and SCI Consultants for residents at the pump station to explain how it works, the upgrades needed, and the Prop 218 process.

## **NEXT STEPS**

If Council adopts the attached two resolutions, a notice and ballot materials will be sent to all property owners of record within the District at least 45 days prior to the scheduled public hearing. The ballot materials will include a postage paid return envelope, addressed to the City of Hayward Office of the City Clerk. The City Clerk will collect all received ballot envelopes and will only open those ballot envelopes at the April 21, 2026 public hearing.

In addition, a required legal notice will be published in the Daily Review, announcing April 21, 2026 as the public hearing date in which the ballots will be opened and counted.

The public hearing will be held on April 21, 2026 to open, tally, and report on ballots received by the Office of the City Clerk. Should the proposed Proposition 218 balloting be performed and pass the City Council may take action to approve the imposition of assessments for fiscal year 2026 (July 2026 through June 2027) and each fiscal year thereafter. The levy and collection of the assessments would continue year to year until terminated by the City Council.

*Prepared by:* Manny Grewal, Management Analyst

*Recommended by:* Todd Rullman, Director of Maintenance Services

*Approved by:*

A handwritten signature in blue ink, appearing to read "Jennifer Ott".

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Jennifer Ott, City Manager